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October 1938

A Brief Summary of Economic Conditions

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OCTOBER is the busiest month in agriculture. Farm employment is at seasonal peak as tens of thousands of additional hands help with the harvesting and preparation of fall crops for market—cotton, tobacco, and peanuts in the South, potatoes across the northern tier, corn in the Central States, sugar beets in the Northwest, apples on the Pacific coast. About the same farm labor force has been employed this year as last, notwithstanding sharp reductions in prices of farm products. * * * Prospects for fall and winter markets have improved since industry has increased production schedules and pay rolls. But a big question mark is the export demand for American farm products. BAE has estimated the world wheat supply at close to 5 billion bushels, second largest on record. Of the total the United States has approximately 23 percent. The world supply of cotton has been estimated at about 51 million bales, of which about 50 percent is American cotton. * * * BAE will issue its annual outlook report covering all commodities, the first week in November.

Commodity Reviews

DEMAND: Better Outlook

CONDITIONS which affect the domestic demand for farm products continued to improve during the past month. Industrial production advanced, although at a somewhat slower pace than in July and early August. Employment and factory pay rolls, which had lagged in July, increased more rapidly in August and September, as rising industrial output necessitated increases in working forces and number of hours per employee.

The situation in September was marked by several unsettling factors. Chief among these was the European crisis, which made uncertain the prospects for numerous lines of business which are affected by foreign conditions.

The demand for and prices of wheat and cotton during the past month reflected the uncertain foreign prospects. Wheat prices were given a temporary fillip by the possibilities of war and increased takings by European countries which might accompany war. Cotton prices, on the other hand, suffered a temporary relapse because of fears that a war might have adverse effects on foreign cotton textile activity. The dollar increased in value in foreign exchange in response to the war scares, and, if such a tendency continues the effects on foreign demand for United States farm products might be adverse, unless offset by other developments such as large expenditures in this country by foreign governments.

Notwithstanding these several unsettling factors in the situation, however, the general outlook continues to be for additional improvement in the domestic demand for farm products during the fall and winter. Foreign demand prospects are less favorable.

CASH INCOME: Reduction

Farmers' cash income from marketings was slightly higher in August compared with July, but was much

less than in August a year ago. This August the total was 614 million dollars, compared with 609 million in July, and with 766 million in August last year. The increase from July to August this year was less than the usual gain during this period.

The August income raised the total for the first 8 months of this year to 4.3 billion dollars, as compared with 5 billion during the corresponding period of 1937, and with 4.5 billion in 1936. This year compared with last, only dairy products show an increase in income.

The income from marketings of crops declined much more than the income from livestock and livestock products in the first 8 months of this year compared with last. The reduction from crops was 533 million dollars, the decrease from livestock and livestock products was 165 million.

Government payments to farmers totaled 17 million dollars in August, compared with 35 million in July, and with 5 million in August last year.

	Income from mar- ketings	From Gov- ernment payments	Total
August:			
1938.....	\$614,000,000	\$17,000,000	\$631,000,000
1937.....	766,000,000	5,000,000	771,000,000
1936.....	635,000,000	11,000,000	646,000,000
January-			
August:			
1938.....	4,397,000,000	309,000,000	4,616,000,000
1937.....	5,004,000,000	345,000,000	5,350,000,000
1936.....	4,470,000,000	204,000,000	4,674,000,000

PRICES: Higher

Gains in prices of some farm products more than offset declines in others during the month ended September 15. The index of prices received by farmers increased 3 points, to 95 percent of pre-war. On September 15 last year the index was 118.

Grains moved a little higher during the last month of record, but cotton and cottonseed showed no change. Fruits were down slightly, dairy products and meat animals as a group were

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higher. Prices of potatoes were down; truck crops were up.

The index of prices paid by farmers was unchanged during the last month of record, being computed at 122 as of September 15. The ratio of prices received to prices paid, was 78 percent of pre-war, compared with 75 in August and with 91 on September 15 last year.

A further advance in prices received in the last 2 weeks of September this year probably raised the index of these prices to the highest figure since last March.

Index Numbers of Prices Received and Paid by Farmers

[1910-14=100]

Year and month	Prices received	Prices paid	Buying power of farm products ¹
1937			
September.....	118	130	91
October.....	112	128	88
November.....	107	127	84
December.....	104	126	83
1938			
January.....	102	126	81
February.....	97	126	77
March.....	96	125	77
April.....	94	125	75
May.....	92	125	74
June.....	92	124	74
July.....	95	123	77
August.....	92	122	75
September.....	95	122	78

¹ Ratio of prices received to prices paid.

Prices of Farm Products

Estimates of average prices received by producers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and States.

Product	5-year average, August 1909-July 1914	September average 1909-13	September 1937	August 1938	September 1938	Parity price, September 1938
Cotton, lb.....	12.4	12.2	9.0	8.1	8.2	15.7
Corn, bu.....	64.2	69.6	93.9	48.5	48.0	81.5
Wheat, bu.....	88.4	87.7	93.0	50.7	52.5	112.3
Hay, ton.....	11.87	11.39	8.91	6.82	6.70	15.07
Potatoes, bu.....	69.7	74.4	53.7	52.8	47.8	86.5
Oats, bu.....	39.9	38.8	29.0	20.3	21.8	50.7
Soybeans, bu.....	(²)	(¹)	89.8	75.1	70.6	
Peanuts, lb.....	4.8	4.7	3.4	3.4	2.2	6.1
Beef cattle, cwt.....	5.21	5.09	7.54	6.38	6.46	6.62
Hogs, cwt.....	7.22	7.49	10.55	7.81	8.07	9.17
Chickens, lb.....	11.4	11.6	17.4	14.2	14.3	14.5
Eggs, doz.....	21.5	20.5	22.0	21.0	24.9	27.6
Butterfat, lb.....	26.3	25.8	33.4	24.1	24.1	32.3
Wool, lb.....	18.3	18.6	30.8	19.5	18.7	23.2
Veal calves, cwt.....	6.75	6.78	8.91	7.95	8.31	8.57
Lambs, cwt.....	5.87	5.47	8.57	6.59	6.46	7.45
Horses, each.....	136.60	136.10	93.10	82.60	81.70	173.70

¹ Revised.

² Prices not available.

³ Adjusted for seasonality

FARM LABOR: Maintained

Despite the lower level of prices of farm products this year, farmers were hiring about the same number of workers this September 1 as last. The average per 100 farms of crop reporters the country over was 106 hired workers compared with 107 on the same date in 1937. Increases were reported in the Middle Atlantic, East North Central, West North Central, and Mountain States; decreases in other regions.

FOOD CROPS: Large

Large crops of the principal foods have been produced this year. A 25-percent increase above the 1927-36 average production of wheat, rice, peanuts, sugar beets, and fall vegetables in the Northern States was indicated as of September 1, a 20-percent increase in the tonnage of the four principal canning crops, an 18-percent increase in the production of beans, and a 14-percent increase in the output of sweetpotatoes.

Truck crops harvested up to September 1 totaled about 9 percent above average; deciduous fruits as a group, and potatoes were expected to be about 2 percent above average, and the condition of the new orange

and grapefruit crops was reported above average in the principal producing States.

Early September reports indicated that with market prices low compared with shipping costs, some northwestern pears would not be harvested and that some Idaho potatoes and northern cabbage would be left unharvested or used for feed.

WHEAT: Big Supply

Biggest factor in the wheat price situation during the past month was the European political situation. Prices fluctuated dizzily, reacting to alternating reports which traders tried to translate into terms of the prospective European demand for wheat.

Other factors affecting domestic prices were the smaller offerings of wheat as prices continued below the Government loan basis, announcement of conservation and price adjustment payments in connection with the 1939 agricultural adjustment programs, and announcement of the Government's surplus wheat and flour purchase and export program.

Total United States 1938-39 wheat supplies are estimated at about 1.1 billion bushels, consisting of a 1938 crop of 940 million bushels and a July 1 carry-over of 154 million bushels of old wheat. Utilization may total 700 million bushels this marketing year, leaving about 395 million bushels for export and carry-over. Exports of about 100 million bushels would leave a carry-over of about 295 million bushels on July 1 next. The average July 1 carry-over for the 5-year period 1930-34 was 325 million bushels.

The United States has about 23 percent of the total world supply of wheat this year, estimated by BAE at about 4.9 billion bushels, excluding Soviet Russia and China. Probable world disappearance has been estimated by the Bureau at about 3.8 billion bushels. This would leave a world carry-over of about 1.1 billion bushels on July 1 next, only slightly less than the record carry-over in 1934.

COTTON: Harvest Peak

Cotton prices were affected adversely in September by the European political situation, at a time when harvesting and ginning of the 1938 United States crop was increasing rapidly toward its seasonal peak.

An additional factor was the unsatisfactory foreign cotton textile situation in that the mills in a number of important cotton manufacturing countries, already on reduced production schedules, were selling less cotton cloth and yarn than was being produced.

In the United States, there were indications that domestic mill activity had slackened a little during the first 3 weeks in September, but sales of unfinished cotton cloth and yarn increased, and prices advanced. Trade reports were that sales of all kinds of textile and nontextile goods had increased in wholesale markets.

The situation as to supplies of raw cotton changed little during the past month. There was a slight reduction in the September 1 estimate of the United States crop, but the world supply of all cotton (world production plus carry-over) is still indicated at about 51 million bales. Of this supply about 50 percent is American cotton.

TOBACCO: Production Down

The total tobacco crop has been estimated at about 1.5 billion pounds, or 5.4 percent less than the 1937 output. The reduction is due chiefly to smaller crops of flue-cured, fire-cured, and dark air-cured tobacco. A marked increase in Maryland and cigar types is indicated, but the Burley crop is expected to be about the same as in 1937.

The total supply of flue-cured, however, is about the same as a year ago, because of larger stocks on July 1 this year compared with last. Larger supplies are indicated also for Burley, Maryland, and dark air-cured, particularly Burley. The prospective supply of fire-cured types is smaller than a year ago, but little change is in prospect for total supplies of cigar types.

The general market price average for all flue-cured tobacco sold during August was higher than in August last year, but reports from representative markets indicated that average prices for Types 12 and 13 declined slightly in early September. Prospects for tobacco consumption this fall and winter have been improved by an expected continued increase in business activity and in consumer incomes.

FEED GRAINS: Price Support

Principal factors supporting feed grain prices during the past month included the reduced prospects for the 1938 corn crop and the increase to 57 cents per bushel in the Government loan on corn still on hand from the 1937 crop.

The September 1 crop report indicated a corn crop of about 2.46 billion bushels. This is below the level of normal domestic consumption and exports. Should the crop total 2.46 billion bushels, the Government loan rate on 1938 corn will be 75 percent of parity instead of the 70 percent expected on the basis of indications on August 1. The parity price of corn on September 15 was 81.5 cents per bushel.

Exports of corn declined in early September, but this was considered only a temporary situation, in view of the short supplies in Argentina and probable European requirements. Exports for the period October 1, 1937, to September 1, 1938, totaled more than 132 million bushels.

BEEF CATTLE: Higher Priced

The better grades of slaughter cattle were selling at highest prices of the year in early September, but for much less than at that time in 1937. Prices of the lower grades have declined seasonally since mid-July, but are only moderately lower than a year ago.

Demand for stocker and feeder cattle continues strong. Despite seasonally larger supplies, prices of these cattle weakened only slightly in August and early September. And consumer demand for meats is ex-

pected to improve somewhat during the fall and winter months.

The supply situation indicates that marketings of grain-fed cattle probably will continue much larger this fall and winter than a year earlier, but that marketings of cows and heifers will be considerably less than at that time.

Slaughter supplies of cattle in 1939 may total less than in 1938, with increased marketings of grain-fed cattle being more than offset by reduced marketings of cows and heifers. The tendency to rebuild cattle herds also may become more pronounced next year, because of the marked improvement in feed and range conditions since 1936.

HOGS: New Season

A new hog marketing year opened on October 1 with indications that market supplies of hogs will be much larger than in the year just closed, and with prospects for increasing consumer demand. A better storage demand for hog products this fall and winter than last also is expected.

A fairly large seasonal increase in hog marketings is expected during the next 3 or 4 months, and the seasonal decrease in hog marketings in late winter and early spring of 1939 may be less than usual. In most years when feed supplies have been abundant and the hog-corn price ratio high, market supplies of hogs in the first quarter (October-December) of the marketing year have represented a relatively small proportion of the yearly total.

The marked increase in hog production reflects the low level of production in many areas as well as the abundant feed supplies and the fact that hog prices in the past year have been high in relation to feed prices. Feed crop prospects and other conditions still indicate there will be a further large increase in hog production in 1939, but the increase in the Corn Belt area west of the Missouri River may be limited by the short corn crop in that area.

Total supplies of feed grains (including production and carry-over)

will be slightly larger in the 1938-39 feeding season than in 1937-38, but not so large as seemed probable earlier in the summer. Corn crop prospects deteriorated greatly in Nebraska, South Dakota, and Kansas during August as a result of drought and grasshopper damage.

LAMBS: Increased Supply

Slaughter supplies of grass lambs this fall are expected to continue larger than in the fall of 1937, followed by a relatively large supply of fed lambs in December to April. The 1938 lamb crop, 5 percent larger than the 1937 crop, was the largest on record.

Most of the increase in the lamb crop this year was in the four western sheep States — Texas, California, Wyoming, South Dakota. August shipments of western lambs were much larger than a year earlier, but contracting of feeder lambs was limited.

Possibly the unfavorable results of last year's feeding operations for lambs marketed before March will discourage some operators from feeding as many lambs this year. Another factor will be the disposition of late lambs in Texas.

The Texas situation may be similar to that in 1936, when prices of feeder lambs were low in relation to prices of slaughter lambs, prospects were favorable for higher wool prices in the following year, and relatively few Texas lambs were sold for feeding.

WOOL: Improvement

The domestic wool situation has improved in recent months. Mill activity has increased; prices of wool are somewhat higher than in early summer. During the remainder of 1938, domestic prices will be greatly influenced by the movement of foreign prices. Wool manufacturing activity has increased in some European countries, but Japanese buying remains greatly curtailed and the general situation is uncertain.

It now appears likely that total supplies of Southern Hemisphere wool for the current season will be slightly larger than in 1937-38. This situa-

tion is the result of a large carry-over from last year. August 1 supplies of raw wool in the United States were much larger than in 1936 and 1937, but mill consumption is expected to be larger this fall and early winter than last, and imports probably will continue relatively small.

By the end of this year, stocks of raw wool in the United States may be no larger than a year earlier.

FRUITS: Low Priced

Fruits have been selling at relatively low prices, but the domestic demand for fruits is expected to improve somewhat this fall and winter. Foreign demand for United States fruits also may be better this season than last, because of the relatively light fruit crops in England and most European countries.

Apple production prospects in the United States declined slightly during August, and the crop is now indicated at 132 million bushels. The 1937 crop was 211 million bushels, the 1927-36 average was 151 million.

The largest crop of pears on Government record was indicated as of September 1, totaling 32 million bushels. This is an increase of 8 percent as compared with the 1937 crop, and of about 33 percent as compared with the 1927-36 average.

The production of grapes was indicated as of September 1 at 2.5 million tons, compared with 2.8 million in 1937, and with 2.2 million the 1927-36 average. The California grape crop is only 5 percent less than the record output in 1937, but production in other important regions is much less than last year's crop.

Prices of early apples have been high relative to last year in markets in the Central States where the crop is extremely light, but in Eastern markets the prices have been about the same as a year ago. Pears in all markets have been selling below last year's figures, and prices of California table grapes this season have been much below prices a year ago.

POTATOES: Digging

Late potatoes are being dug across the northern tier of States, the crop is about 15 million bushels less than in 1937, prices in mid-September were about the same as at that time a year earlier—averaging 92 cents per 100 pounds at New York City, 97 cents at Chicago.

The crop deteriorated slightly during August, lowering the production estimate (excluding the California early crop) to 294 million bushels, as compared with 309 million bushels last year, and with 299 million the 1927-36 average. There were decreases of about 1 million bushels each in the eastern and central groups of late-potato States, and of about 5 million in the Western States.

Shipments from the late States were increasing rapidly during the last week of September, while shipments from the intermediate States were decreasing. Because of the distribution of the late crop this season, the motor truck probably will move a larger proportion of the crop than ever before. Rail shipments are expected to be unusually small this fall and winter.

TRUCK CROPS: Prices Down

Substantial increases in production of most of the important late truck crops this year compared with last are reported, notably of late cabbage (both domestic and Danish types), carrots, celery, onions, green peas, and tomatoes. In contrast, slightly smaller crops of late beets, cauliflower, eggplant, lettuce, and spinach are indicated.

Rail shipments were less in September this year than last, but a continuing increase in the motor truck movement was reported. Terminal market prices of most truck crops in mid-September were lower than a year earlier, due to the pressure of relatively large supplies and because of relatively low consumer purchasing power.

At New York City, eastern broccoli, carrots, celery, cucumbers Honey

Dew melons, sweetpotatoes, and turnips were the only items showing higher prices than a year earlier. At Chicago, western carrots, green corn, cucumbers, spinach, and tomatoes were the only vegetables higher priced.

With the exception of sweet corn, tomatoes, and cucumbers for pickles, the production of truck crops for canning or manufacture is substantially larger than in 1937.

MILK PRODUCTION: Declining

Milk production is declining seasonally but is expected to continue high during the remainder of this year as contrasted with the corresponding period in preceding years. Consumption of fluid milk and cream in principal eastern markets is less than at this time last year, but may increase with the expected expansion in industrial activity and pay rolls.

Storage stocks of dairy products, increasing rapidly in recent months, are exceptionally large. This reflects the marked summer increase in production of principal manufactured products which have gone into storage instead of into consumption. A supporting factor in the butter market has been the heavy buying by the Dairy Products Marketing Association.

Pastures on September 1 were generally in good condition, the best for that date in 10 years. The better condition of pastures this summer compared with last stimulated milk production. Feed supplies per animal unit are large, and butterfat prices are high in relation to feed—factors favorable for relatively large production of milk.

There are about the same number of cows on farms this year as last.

TURKEYS: Increase

More and heavier turkeys will be marketed this year, reflecting a 4 percent increase in production and rapid growth of birds on plentiful grain and green feed. But producers in most sections are planning to market turkeys earlier this year, many early hatched

turkeys have already been sold, and the September 1 supply in cold storage was less than half the quantity on that date last year.

Production increases are chiefly in the big flocks, producers in most areas reporting a continued decline in the number of small and medium size flocks which contain fewer than 300 birds. Production increases have been reported in the New England, Middle Atlantic, East North Central, West North Central, and Pacific Coast States. The West South Central States have about the same number of turkeys this year as last. Decreases have been reported in other areas.

Of especial interest are reports showing that producers intend to market about 21 percent of this year's crop in October or earlier, 37.5 percent in November, 30 percent in December, and 11.5 percent later. There is a tendency in all areas except the South Central States to market a larger proportion of birds early this year. The figures show, also, a trend toward lengthening of the marketing season.

The average farm price of live turkeys was 16 cents a pound on September 15, compared with 15 cents

on August 15, and with 15 cents on September 15 last year.

POULTRY: Supply Up

Features of the poultry and egg situation include prospects that supplies of poultry during the remainder of this year will continue larger than in 1937, that storage stocks next January 1 will exceed holdings on January 1 last.

The peak of egg storage holdings has been reached. Stocks are far below those of last year and in most other recent years. On September 1, production of eggs per layer was less than a year earlier.

Total production of eggs was about 4 percent less this September 1 than last in the West North Central area, 2 percent less in the North Atlantic and South Central regions, and 1 percent less in the East North Central and South Atlantic States.

The number of layers in farm flocks was about the same this September 1 as last, averaging about 60 hens and pullets. The 10-year September 1 average is 65. Flocks in the North Central and South Central States had fewer layers than a year earlier, but in all other sections slight increases were reported.

Measures of Domestic Demand
(1924-29=100)

	August				Percent change		
	1929	1933	1937	1938	1937-38	1933-38	1929-38
National income.....	108.8	63.3	97.9	86.0	-12	+36	-21
Nonagricultural income:							
Total.....	109.3	63.9	98.3	86.6	-12	+36	-21
Per capita.....	103.6	59.0	87.4	76.6	-12	+30	-26
Factory pay rolls:							
Total.....	109.9	56.6	101.9	71.5	-30	+26	-35
Per employed wage earner.....	102.6	71.2	99.4	89.6	-10	+26	-13
Industrial production:							
Total.....	111.3	85.2	109.5	82.4	-25	-3	-26
Factories processing farm products.....	107.9	105.4	102.9	103.3	(1)	-2	-4
Other factory production.....	116.9	74.9	114.0	70.5	-38	-6	-40
Construction activity:							
Contracts awarded, total.....	100.8	19.8	52.1	57.9	+11	+192	-43
Contracts awarded, residential.....	77.0	11.6	35.8	47.5	+33	+309	-38
Employment in production of building materials.....	94.9	43.9	62.2	50.0	-20	+14	-47
Cost of living:							
Food.....	104.1	69.3	82.4	75.7	-8	+9	-27
"All other items".....	98.0	82.2	85.0	85.	+1	+4	-12
Purchasing power of nonagricultural income per capita:							
For food.....	99.5	85.1	106.1	101.7	-4	+19	+2
For "All other items".....	105.7	71.8	102.8	89.7	-13	+24	-16

¹ Less than 1/2 of 1 percent.

NOTE—All indexes adjusted for seasonal variation except "Cost of living"

Two Million Submarginal Acres

THE Bureau of Agricultural Economics is in process of acquiring well over 2,000,000 acres of submarginal land in connection with the land utilization program being administered under title III of the Bankhead-Jones Act.¹ The program now includes 104 projects in 39 States. The Bureau has carried forward the work on projects taken over from the Farm Security Administration, and has set in motion the new program authorized by the Bankhead-Jones Act.

Of the 104 projects, 19 are new projects approved during the past year, and in these special emphasis has been placed upon the objective of agricultural adjustment in accordance with the memorandum of the Secretary outlining the policies governing the program approximately 1 year ago. The remaining projects are coterminous with areas established under the "old" program, and involve the purchase of small amounts of land to complete the pattern of readjustment previously outlined.

DURING the past year the major part of the funds and attention was concentrated upon the Great Plains where drought, dust, and depression have so acutely aggravated the problems of land use adjustment. In this period, out of a total fund of \$8,111,540, a sum of \$6,129,590 was authorized for acquiring land in the Northern and Southern Great Plains. Viewed in acreage, the emphasis upon the Plains was even more striking: of 2,194,582 acres to be purchased, 1,993,046 acres are being bought in the two divisions of the Great Plains. And of the 19 wholly new projects established during the year all but 4 were in the Plains. Emphasis on this part of the country was due to the particularly serious conditions prevailing there a year ago; in subsequent years a more general distribution of

projects will be made in other regions.

The type of project established in the Great Plains is generally characterized by the use of land purchase to create larger operating units, to enable local farmers to shift from wheat cultivation to stock farming, and to assist ranchers to control their range and prevent overgrazing. A few projects, such as the Tierra Blanca project in Texas, are primarily concerned with water conservation. Here large dams are built both to impound the runoff of water and to provide the surrounding population with long-needed recreational facilities.

Of the total acreage in the 104 projects authorized by the Secretary of Agriculture, some 1,906,356 acres were appraised, and 555,518 acres were optioned on June 30. The process of acquisition and title clearance is necessarily long drawn out and complicated, but since the preliminary steps have now been taken on most of the tracts, the next few months should see a rapid rise in the number of optioned acres.

LAND development during the past year, concentrated chiefly on "old" projects, gave employment to an average of 18,127 men daily. The total investment in the development work on all projects by the end of the year was \$52,420,425.31.

On the grazing projects of the Plains, development work has included the improvement of the range by reseeding of blown areas, the obliteration of abandoned structures, the fencing of revised and wider boundaries, the elimination of fodder-destroying rodents, and perhaps most important of all, the provision of adequate water facilities for livestock. Where rainfall is scant and undependable, it becomes more than ever imperative to catch the runoff and hold it behind impounding dams and in stock-water reservoirs, to develop every available spring, and to sink wells where practicable. In its water conservation

¹ This program was described and its progress reported in the November 1937 and May 1938 issues of the *Agricultural Situation*.

program on land utilization projects the Bureau has constructed approximately 1,700 dams in the Great Plains alone.

On the eastern and southern projects begun under the "old" program, development has been devoted largely to reforestation and forest improvement, to the creation of recreational facilities, and to the conservation of wildlife. An important item has been fire control, involving the erection of lookout towers, and the construction of truck trails, fire breaks, and ranger's cabins. Recreational developments have meant the building of picnic shelters, bath houses, bathing beaches, fireplaces, parking areas, park roads, docks, and similar facilities. Through construction of dams, several large lakes have been created, in part for

recreational use. To protect wildlife, sanctuaries have been set aside on some projects, feed has been planted for game birds, predatory animals have been trapped, fish hatcheries have been laid out, and streams stocked with fingerlings.

EQUALLY important, but less tangible, has been the work to assist States and local communities in the furtherance of soil conservation districts, cooperative grazing associations, and the zoning of rural land; in the consolidation of local governments, and the elimination of roads and schools rendered unnecessary by project purchases; and in providing the factual background for legislation on matters affecting land use.

JOHN DREIER.

The Cattle Feeding Situation

FACTORS in the feed grain situation point to a further increase in cattle feeding in 1939. The supply of western cattle available for feeding may not be as large as a year earlier, but it is probable that a larger number of native cattle will be fed in the Corn Belt. It now appears that any increase in feeding in the Corn Belt will be relatively small, and much less than the increase in the current year.

On January 1, 1938, the number of cattle on feed in the Corn Belt States was 15 percent larger than a year earlier, on April 1 the increase was 20 percent, and on August 1 it was 12 percent. Largest increases reported were in the western Corn Belt, where cattle feeding had been sharply curtailed as a result of the droughts of 1934 and 1936.

Background is that the total supply of feed grains, including production and carry-over, probably will be slightly larger this year than last, and about the same as the 1928-32 average. The indicated supply per head of livestock is slightly smaller than last year, but larger than in any other of the past 12 years. Corn production will be

smaller this year than last but larger than the average of the last 10 years. In three important States—Nebraska, Kansas, and South Dakota—corn production is much below average. Hay supplies for 1938-39 will be the largest in recent years.

THE number of cattle fed in 1938 was larger than in 1937, but it was not large in relation to the number fed in the years prior to the 1934 drought. This was because of the sharp reduction in cattle feeding in the western Corn Belt in the period 1934-37, when feed supplies were sharply curtailed by drought. In the eastern Corn Belt the number of cattle fed in 1938 was fairly large in relation to other years, and the largest on record in proportion to total Corn Belt cattle feeding.

The number of cattle put on feed in late 1937 and early 1938 was much larger than a year earlier, as a result of the large volume of feed produced in 1937 and the relatively high prices received for grain-fed cattle in the first three quarters of that year. Many of these cattle were bought for feeding in the late summer and early fall at

prices that reflected the high level of prices of better grades of slaughter cattle. But prices of such slaughter cattle declined nearly 50 percent from late October 1937 to early February 1938 and prices of feeder cattle also declined. Although prices of feed were relatively low, the returns from fed cattle marketed before last April were generally not large enough to pay for the cost of the cattle as feeders and the cost of feed. Because of the rise in prices of fat cattle since February, the returns on fed cattle marketed during the spring and summer, especially on those bought after the break in feeder prices, were more favorable.

In late 1937 and early 1938 prices of better grades of slaughter cattle were greatly depressed, partly because of increased marketings of such cattle and of hogs and partly because of the marked weakness in consumer demand for meats which developed as a result of declines in industrial activity and employment. The period of large feed supplies and increased cattle feeding coincided with a period of considerable

weakness in the business situation and in consumer buying power.

PROSPECTS for the outcome of cattle feeding operations are somewhat more favorable this fall and winter than last, but less favorable than in 1936-37. Feed prices are now lower than a year earlier; the price of feeder cattle also is slightly lower. Larger marketings of grain-fed cattle in the first half of 1939 compared with the first half of 1938 are expected; hog supplies also will be larger. Marketings of cows and heifers, however, probably will be smaller, and this will offset in part the larger supplies of other livestock.

Consumer demand for meats in 1939 is likely to be somewhat stronger than in 1938. Improvement in business and in consumer purchasing power is expected to develop as the year progresses. This will be in marked contrast to the situation in late 1937 and early 1938, when consumer demand weakened sharply and continuously for several months.

PRESTON RICHARDS.

In the Land of Cotton

MEN, women, and children are in the cotton fields, bending over, dragging long bags. In the West, sleds are used to strip off the bolls, but in the East the cotton is still picked laboriously by hand. A fast worker may pick 300 pounds in a 12-hour day, and get for this \$1.80, but of course the average is much lower and the work is not steady.¹

The cotton harvest has been speeded up by the development of better cotton varieties, techniques of ginning have been improved using methods recommended by Federal and State agencies, cotton driers are being increasingly employed to reduce waste when cotton is wet. The new cotton classing and market news services instituted by the Bureau of Agricultural Economics this

year are expected to improve marketing processes.

The cotton harvest starts in July in south Texas and spreads northward as the crop matures in the main belt. All of the bolls do not open at the same time and in normal years it is necessary for pickers to go through the field two or three times before frost and weather damage makes further harvesting operations impracticable. Data collected by the Bureau indicate that the number of pickers reaches its seasonal peak around October 1.

The full labor force available on farms producing cotton in the northern part of the belt is busily engaged in the field. Women and children join the men, with fall vacations from school in some parts of the South swelling the total of family workers. Migratory workers who started picking in south Texas last July have followed the progress of the main harvest north-

¹ A survey recently reported by the Bureau of Agricultural Economics revealed earnings as little as \$62 a year by female Negro cotton pickers, and as low as \$178 a year by male Negro pickers.

ward and are working in north Texas, Oklahoma, the Delta area along the Mississippi, and throughout the eastern cotton-producing States. Among these migrants are some farmers who went South to pick cotton after their own crop had been laid by, and have returned home in late September to harvest their own production. Pickers on large plantations are recruited in nearby towns and transported to work in trucks.

The total number of workers needed to pick this year's cotton crop is somewhat reduced because of the sharp re-

duction in cotton production. Cotton picking was the principal task, however, of the approximately 5,750,000 persons employed October 1 on farms in Southern States. In this group, unpaid family labor predominated, comprising about 80 percent of the total. Under present conditions, with cotton prices at comparatively low levels, a plentiful supply of unpaid family workers and of hired help on a piece-work basis at relatively low rates is available.

R. F. HALB.

Greater Security for Tenants

THE Farm Security Administration has inaugurated a program of lease improvement for its tenant borrowers which is intended to help those farmers unable to attain ownership to enjoy a more reasonable security as renters. Under the policy established for the coming year, tenants applying for rehabilitation loans will be required to obtain a written lease meeting certain minimum standards as a condition of receiving a loan.

These minimum standards are simple. The leases must cover the points usually dealt with in rental agreements in the locality. The terms must be equitable and must hold promise of reasonably secure tenure for the tenant borrower.

Under the Bankhead-Jones Act the Farm Security Administration advances loans for the purchase of farms to tenants, sharecroppers and farm laborers. However, this is a long-time program. For the immediate future the new policy on rehabilitation loans should help relieve bad features of tenancy for thousands of families. Each year a million farm families move, largely because of unsatisfactory tenure conditions. Improved leases would stop much of this costly moving.

THE new policy is designed not only as an attack on one problem of tenancy, but as a protection to the

rehabilitation program. Studies made during the last 3 years by FSA representatives have shown that success of tenant borrowers often hinges upon their tenure arrangements. Each family getting a rehabilitation loan works out a plan for the best possible management of farm and home. These plans cover an extended period—usually 5 years. Hence the borrowers need lease arrangements that insure reasonable security of tenure.

The Farm Security Administration has drafted lease forms which foster secure tenure. Fundamentally, the forms simply commit to writing in plain language the details of traditional lease arrangements. The written lease forestalls the misunderstandings which are frequent where the lease is oral. An additional feature of the lease forms is provisions which make it possible for a tenant to make permanent improvements on a rented farm to the profit of both himself and his landlord. Agreement between landlord and tenant upon such an arrangement is specifically required before the FSA will make loans to either old or new borrowers for the purpose of making permanent improvements.

In brief, this arrangement provides that the tenant shall have either (1) definite security of tenure until he has received full benefit from use of the improvement, (2) equitable compensation for the unexhausted value of the

improvement if his lease is terminated or expires before full benefit has been received, or (3) a definite agreement with the landlord by which he will be compensated or credited on rent for expenditures in making the improve-

ment. Provision is also made to protect the landlord by assuring him that the tenant will fulfill his part of the obligation.

C. B. BALDWIN,
Farm Security Administration.

Commodity Loans by the AAA

UNDER the Agricultural Adjustment Act of 1938, loans are now being offered to wheat and cotton producers. The act authorizes the Commodity Credit Corporation, upon the recommendation of the Secretary of Agriculture and the approval of the President, to make loans on all agricultural commodities. The Corporation is directed to offer loans on wheat, corn, and cotton to cooperating producers when supplies rise above or prices fall below specified levels, with the rate of these loans to be between 52 percent and 75 percent of the parity price of the product. The wheat and cotton loans are at approximately the minimum rate.

The act contains provisions for protecting the Government's interest in these loans. These are the acreage allotment and marketing quota provisions. The quotas can become effective only when approved by two-thirds of the producers of a commodity voting in a referendum, but when quotas are voted down, the act prohibits loans. In the case of other than the great staple crops, the loan ordinarily is made as supplementary to efforts of producers of those commodities to adjust their operations through marketing agreements or other marketing programs.

THE loan policy of the AAA was inaugurated in the fall of 1933 to enable farmers to hold back an excessive crop from the market to prevent prices being forced below the already depressed levels, and to speed the flow of cash to important farm areas and thus hasten recovery. Under the 1938 act, a new purpose has become of prime importance; that of establishing the Ever-Normal Granary. In years of big crops the commodity loans

can permit corn, for example, to be stored and held off the market. In a small crop year, the surplus corn can be released to cover the shortage. In this way producers and consumers alike benefit from more stable supplies and prices.

To execute the loan programs, the Commodity Credit Corporation was created in 1933. The bylaws of the Corporation permit it to sell, buy, lend upon, and otherwise deal in agricultural commodities. The Corporation has an authorized and paid-in capital of \$100,000,000. The Corporation is empowered to have total outstanding obligations up to \$500,000,000.

The Corporation makes loans directly through the local loan agencies of the Reconstruction Finance Corporation. Loans are also made by banks and other lending agencies under a guarantee of the Corporation that it will discount producers' notes. The loans are made on a nonrecourse basis, and producers are protected against liability for any deficiency arising from the sale of the commodities on which they secured the loans. The usual rate of interest charged is 4 percent.

TO date the Corporation has made loans on 14 commodities: cotton, corn, gum turpentine and gum rosin, wool and mohair, wheat, peanuts, tobacco, raisins, dates, figs, prunes, and butter. Through August 31, 1938, these loans totaled \$783,781,093.80, repayments and notes charged off totaled \$500,388,141.98, leaving \$283,392,951.82 outstanding.

Approximately 95 percent of the money loaned between 1933 and August 31, 1938, was on cotton and corn. The following are details on the cotton and corn loans:

Cotton: A 10-cent per pound loan was made on cotton in 1933, and in 1934 the loan was on a 12-cent basis. While the loans served their purpose of carrying the producers over the period of low prices in the fall and winter, the 1934 loan resulted in a growing volume of cotton under Government control. The 12-cent loan raised and stabilized the price of the 1934 crop, but prices were not maintained after the end of the marketing season, and Government stocks piled up while repayments were small. The 12-cent loan appeared also to have an adverse effect upon American exports. In 1935, therefore, the rates were reduced to 10 cents per pound. The amount loaned was small, most producers preferring to sell their cotton at the prevailing market prices. For 1937, a 9-cent loan was available and participation was about as large as in 1933-34.

Cotton loans together with repayments and notes charged off for 1933 through August 31, 1938, were as follows:

Year	Basic loan rate per pound	Disbursements	Repayments and notes charged off
1933-34	\$0.10	\$103,634,117.86	\$103,684,117.86
1934-35	.12	306,573,964.68	187,459,873.84
1935-36	.10	3,655,821.87	3,632,422.83
1937-38	.09	125,229,530.34	1,747,612.80
Total		539,143,434.75	296,524,027.33

(In addition to the direct 1937 cotton loans by the Corporation, approximately \$119,000,000 was loaned on cotton by banks, of which more than \$10,000,000 has been repaid.)

Besides these loans to cotton producers, \$51,415,841.82 was loaned to the Cotton Producers' Pool on the 1933-34 and 1934-35 crops, all of which has been repaid.

Slightly less than 7 million bales of cotton still remain under the loan. Of this, approximately 1,665,000 bales are under the loans of 1933, 1934, and 1935, principally that of 1934. The remaining 5,300,000 bales are under the 1937 loan.

Corn: The corn loans in 1933-34 totaled over \$120,000,000, with about 270 million bushels of corn stored on

approximately 200,000 farms as security. Corn-hog farmers who agreed to follow out the adjustment program for 1934 were eligible for loans at a rate of 45 cents per bushel. Not only did these loans enable farmers to obtain much needed cash while holding their corn until the following year when it sold for between 70 and 85 cents a bushel, but the stored supply was an important factor in mitigating the effect of the severe drought of 1934. Practically all of these loans were repaid before the extended maturity date, and the Corporation realized a profit of almost half a million dollars over administrative costs.

The 1934-35 corn loans were increased to 55 cents per bushel, but, due to the drought-caused lowering of farm supplies, the total number of loans was small. The 1935-36 rate was 45 cents per bushel, but again the amount borrowed was small. Actually, corn loans were a minor feature of the agricultural program after 1933-34. The disbursement and repayment figures for the various years as of August 31, 1938, were:

Year	Loan rate per bushel	Disbursements	Repayments and notes charged off
1933-34	\$0.45	\$121,276,173.81	\$121,276,173.81
1934-35	.55	4,323,793.32	4,323,793.32
1935-36	.45	8,772,862.22	8,772,862.22
1936-37	1.55	46,031.82	46,031.82
1937-38	1.50	9,606,889.12	358,620.13
Total		144,025,750.29	134,777,481.30

¹ Loans on selected seed corn were also made at \$1.75 a bushel.

² This loan was made renewable at 57 cents a bushel.

(In addition to the direct 1937 corn loans by the Corporation, approximately \$12,700,000 was loaned on corn by banks.)

Approximately 46 million bushels of corn are under the 1937 loan. All other corn loans have been repaid in full.

With respect to the other commodity loans, the amounts as of August 31, 1938, were largest for butter, turpentine and rosin, tobacco, and peanuts. Butter loans under the current program to stabilize the butter market stood at \$14,306,270. Of the

\$15,000,969 loaned on turpentine and rosin \$9,102,837 was outstanding. Of the \$9,528,381 loaned on tobacco \$5,085,986 was outstanding. Of \$5,-360,107 loaned on peanuts, only \$58,825 was outstanding.

THE commodity loan is not merely a marketing adjustment device. It is one of a group of methods designed to bring about agricultural stability and balance. Properly used, it has a place in agricultural policy. Its dangers are: (1) The accumulation of huge supplies of collateral by the Government; (2) an adverse effect on exports.

But these dangers may be avoided by fixing the loan rate sufficiently below the market price and by establishing acreage or marketing quotas or marketing or surplus removal programs which will keep the market price above the loan rate.

The experience of the corn farmer has shown that the commodity loan can be an effective device for leveling off the hills and valleys in supplies and prices of some commodities.

J. W. TAPP,
*Agricultural Adjustment
Administration.*

Tobacco to the Highest Bidder

OCTOBER is the height of the tobacco marketing season. It is the biggest selling month of the flue-cured crop. Next month the Virginia fire-cured crop moves into the markets, followed in December by burley and other types. Almost the year round, in one district or another, the chant of the tobacco auctioneer may be heard.

The tobacco auction system, first as to hogsheads and then as to loose tobacco, dates back a century and a quarter, but its foundation was laid long before that by the Virginia Assembly, which in 1712 provided for the establishment of public warehouses at points within a mile of navigable water. Here the farmers delivered their hogsheads of tobacco, which were opened and inspected by licensed and bonded inspectors who issued negotiable receipts. For nearly a century the sale of tobacco was based on these "tobacco notes."

After the Revolutionary War, the inspections became lax. Prospective buyers then adopted the practice of having their own representatives on hand to make notes on the quality of different hogsheads of tobacco. From this it was only a step to auctions based on the samples laid on top of the respective hogsheads. The first known description of these hogshead auctions was published in the Richmond (Va.) Enquirer on January 30, 1810, begin-

The place is a tobacco warehouse. Upon the floor are long rows of low baskets heaped with yellow and brown bundles. A knot of men—warehouse employes and tobacco buyers—stops briefly at each basket. The auctioneer chants the bids, knocks down each lot. Individual lots may weigh as little as 25 pounds, as much as 500.

Simultaneously sales are being held in scores of other markets. There are more than 140 such markets in the South, each in operation during some part of the tobacco marketing season, handling in all 600,000 to 700,000 tons of tobacco—about 90 percent of the United States crop—each year. This auction system of selling tobacco dates back more than a century.—Ed.

ning with the statement "One or more hogsheads are opened and a public signal is given, by the sound of a trumpet, that the gentlemen speculators may attend."

HOGSHEAD markets, relatively few in number, were located at points accessible to highway, rail or water transportation, and for the concentration of important buyers. Marketing of the crop entailed the laborious and expensive procedure of prizing the tobacco into hogsheads on the farm and delivering it to market

under the handicaps of transportation facilities which now seem primitive.

The transition from hogshead to loose tobacco sales came about through the later practice by growers of delivering unprized tobacco to market towns and selling it to street buyers or local manufacturers. About 1835 the town of Lynchburg, Va., was authorized to appoint weighers for loose tobacco; by an act in 1841-42 a warehouse in Petersburg was authorized to set aside a portion of its space for inspection and sale of loose-leaf tobacco. The Virginia Code of 1849 required all inspectors to receive, weigh, and inspect the unprized tobacco submitted to them.

The shift from hogshead to loose tobacco sales effected important changes in the locale of sales and probably had some influence on the spread of tobacco culture. The last market to change was Louisville, Ky., which held its last hogshead sale in 1929-30.¹ But the term "loose-leaf," though now widely used, is somewhat of a misnomer. It suggests tobacco leaves as separate from one another as straws in a stack. Although this is literally true as tobacco is marketed in Georgia and Florida, tobacco elsewhere is tied in bundles of 12 to 20 leaves.

UNUSUAL interest centers in the tobacco auctions this year, in the extension of Government tobacco

¹ The only remaining hogshead market is at Baltimore, Md. This is a "closed bid" market.

inspection and market news services under authority of the Tobacco Inspection Act. This act was approved in 1935, following long complaint that tobacco growers were at a disadvantage to buyers through lack of information as to tobacco quality. Sales in the modern auction system are made so rapidly that errors of judgment are numerous and frequently costly to the growers. Buyers, on the other hand, are protected by the averaging of many purchases.

The Bureau of Agricultural Economics, administering the Tobacco Inspection Act, expects to provide inspection and market news service to growers at 30 markets this season. Under provisions of the act, the Secretary is empowered to make this service mandatory following favorable vote by tobacco growers. In operation, Government inspectors certify the Federal grade on each lot of tobacco before it is sold, as a matter of information to growers offering it for sale. At the same time the growers are informed of the current average selling price for tobacco according to grade. With this knowledge of grade and market value farmers are enabled to use better judgment in accepting or rejecting the bid price.

It is estimated that more than 20 percent of the types sold at auction will be Government inspected this season.

CHARLES E. GAGE.

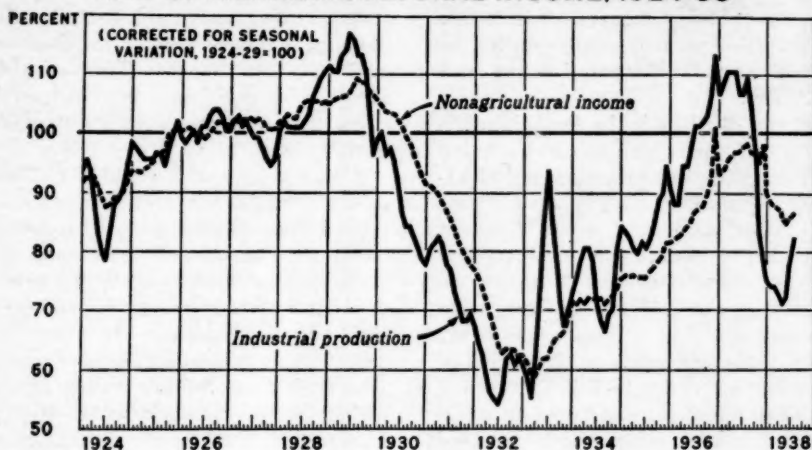
Industry on the Upswing

THE general trend of industrial production, factory employment, and national income points upward. Consumption of many industrial products has exceeded production in recent months; inventory stocks of automobiles, textiles, and other goods have been substantially reduced; factories have increased production schedules. How sharply has been the industrial recovery since July is revealed in the accompanying chart.

Though building contracts awarded

(as measured by the Federal Reserve Board index), recovered more than 50 percent between March and August 1938—to the highest point since April 1931—it was not until July that any widespread evidence of an improving economic situation was apparent. In July, however, such broad measures of domestic demand as industrial production and nonagricultural income had reversed the downward trends which first appeared in September of last year. Factory employment and pay

MONTHLY INDEXES OF INDUSTRIAL PRODUCTION AND OF NONAGRICULTURAL INCOME, 1924-38



rolls, which usually respond quickly to changes in productive activity, rose sharply from June to August.

So far as farmers are concerned the larger supplies of farm commodities continue as a depressing influence on prices, and up to now have obscured entirely the favorable influences of the improved domestic demand situation which appeared at the start of the

1938-39 crop marketing year. Nevertheless, farm income from the production of 1938 will be less severely curtailed than would have been the case had the trends in industrial activity and consumer income continued to point downward into the 1938-39 season.

P. H. BOLLINGER.

Problem—Land Speculation

THE problem—land speculation—has been enveloped in such ambiguity that common assumptions are lacking on which to base discussion. The term "speculation" itself is so indefinite and variously interpreted as to fail to suggest a good subject for suppression. Speculation often is regarded as the influence that lifts farm values to levels higher than warranted by returns from the farms; hence, causes farmers to incur unbearable land-purchase debts. This characterization, although technically untenable, well suggests one angle of the problem. One fundamental question is the extent to which transfers and changes in sales prices of farms reflect changes in economic conditions, and to what extent they represent group misinterpretation of economic conditions. The latter would seem to be the harm-

The economic effect of land speculation is a moot question. Many people believe that it is bad; others, that it is harmless, or even desirable, at least when held within reasonable limits. But what are reasonable limits, and how is it to be held within them? Can it be curbed by taxation, as has been frequently suggested in recent years? The Iowa Farm Tenancy Committee recently brought the subject formally into the open by recommending to the State Legislature that some kind of a regulatory tax be devised. The accompanying article is a discussion of this important question.—Ed.

ful element in farm real-estate activity.

Farm real-estate speculation probably cannot be segregated from invest-

ment. At least it is questionable that "speculators" can be segregated from the general body of investors in farms. Suppression should apply rather to specific harmful characteristics of land transfers.

If the ill effect is the financial difficulty of farmers who buy at excessive values, a capital-gains tax would attack the problem directly; or if misuse of farms associated with frequent transfers is in mind, a turn-over tax might be more direct. Many of the advantages of both types of tax might be combined in a capital-gains tax with rates decreasing as the period of previous ownership increased.

Thus numerous fundamental questions must be raised—and answered tentatively—as a basis for effective discussion of the subject.

What are the evils to be abated; what sort of a tax should be considered; what would be the specific effects of the tax? A tax designed to decrease farm transfers might differ from one to eliminate professional dealers, retard increasing land prices, or avoid cycles in land values. Regulation should avoid any substantial obstacle to justifiable adjustments in land values or to desirable farm transfers.

TWO types of taxes usually have been mentioned: (1) A turn-over or sales tax; and (2) a capital-gains tax. Either might be at one fixed rate or at rates decreasing with the length of the preceding ownership. It has also been suggested that a capital-gains tax might take all gains beyond a small percentage per annum above the price at the next preceding sale of the same property.

A turn-over or sales tax will put an added burden of cost on all transfers alike. For a sale to occur a farm must be worth more to the purchaser than to the seller, by at least the amount of the tax. It might increase tenancy or deter some sales to tenants or from older to younger farmers. It may be charged also that a turn-over tax would retard any movement of farms from managerially "weak" to

managerially "strong" hands. Will an impediment to passing farms into stronger management or into the hands of younger men be socially beneficial or not? Will it benefit farmers—and should the definition of "farmers" cover retired farmers and potential farm buyers?

A capital-gains tax would not affect sales without profit, hence should not prevent transfers for other than profit motives. If rates were graduated, no tax would be levied, regardless of price or profit, on a farm sold after an ownership period of perhaps 10 years or longer. The suggestion has been made that such a tax, by preventing many owners from selling, would actually increase speculation; the damming up of demand by prospective purchasers would lead to increased rapidity of turn-over of such farms as *were* offered for sale. But is not the demand made "ineffective" rather than dammed up?

The effect of regulation on the credit position of farmers is pertinent. With farm values held at a relatively lower level the farms would serve as less security for loans. Economists are not agreed as to whether this would be harmful or helpful to farmers and to society. Furthermore, greater value stability might even encourage larger loans. The relationship between the sale value of the collateral security for a loan and the ability to repay the loan probably would be altered by a regulatory tax. This change should not make it harder to pay debts—though it might lead to increased pressure for payment.

A land capital-gains tax with constant rates might well have a moderately depressing effect on farm values, and might lead to an absolute decline in values. With a local tax the depressing effect might be accentuated locally. A scale of rates decreasing with length of previous ownership might largely offset the tendency. A land turn-over tax also might have a slightly depressing effect, which, however, would be lessened by a decreasing scale of rates.

ADMINISTRATION of a regulatory tax would involve some unique problems. Supposedly special exemptions or regulations would be applied to "forced transfers," both to prevent evasion and to avoid unintended severity of the tax. An especially difficult situation for a capital-gains tax would arise with change in the general price level. For farm prices to rise heavy taxes must be paid; whereas with a falling price level farm values could rise relatively, with the tax inapplicable.

Enforcement of a regulatory tax would be difficult. Farm transfers cannot permanently be concealed. Would it be politically and constitutionally practicable, however, to apply regulations and sanctions of sufficient severity to obtain disclosure of true sales prices?

A fictitious price could be recorded to avoid or reduce the tax, or for other reasons. In some cases the principals in a transfer could not themselves state the price of a farm. One case would be the joint sale of a farm and its equipment. It would often be easy to insert such a factor to avoid the tax.

How would one divide a price paid jointly for a farm and livestock? What would be done with a farm which had been divided or had improvements added? These are examples of the special problem of applying the tax to transfers of one restricted class of property, i. e., to real estate. The particular significance of joint prices here would rest

partly in a peculiarly strong temptation to insert them for the express purpose of confusion. Another simple method of concealment might be to increase commissions and interest rate on a purchase-money mortgage. Other examples of confusing variety can be suggested.

Methods of largely preventing evasion probably could be made administratively feasible. A significant question is whether they could be effectively stringent without being unacceptable, and possibly offensive, to democratic sentiments.

THE questions raised in this article obviously are not intended to exhaust the subject of regulation of real-estate activity by taxation. They only question the substance of the rather loose objective which it is proposed to regulate, and suggest some of the important complications which a regulatory tax surely would experience. The first requirement is explicit statement of the problem, and the specific characteristics of farm real-estate activity which it might be desirable to suppress. Until acceptable assumptions are evolved in relation to many of the questions involved a precise discussion of the possibilities and virtues of a regulatory tax is out of place. But it is high time for open discussion, and the development of a better basis for discussion, among persons interested in farm real-estate and taxation problems.

DONALD JACKSON.

Peanuts Go to Market

A PEANUT crop of near-record proportions is being marketed—more than a billion pounds. Growers are being aided by an AAA diversion plan similar to that of last year and carrying last year's prices. This plan includes provisions authorizing regional cooperative associations to pay producers \$65 per ton for both U. S. No. 1 Southeastern Spanish and U. S. No. 3 Class A Virginia type pea-

nuts, and \$57 per ton for U. S. No. 1 Runner farmers' stock.

A total of 173 million pounds of farmers' stock peanuts was handled by peanut cooperative associations during the 1937-38 season, of which all but a small percentage was diverted into oil. Men in the peanut industry have stated that without the diversion plan last season the price to growers in the Southeastern States would have

been \$15 per ton lower than it was. Variations in price during the past season were less wide than during many preceding seasons; peanut shellers are looking forward to a similar situation this year—less speculation, and with profits secured mainly from milling activities.

During the last three seasons many lots of farmers' stock peanuts were crushed "straight," but from "war times" to the 1934 diversion plan of the AAA the use of peanuts in the form of peanut oil was limited to "mill stock"—broken peanut meats and kernels picked out in the mills because of poor quality—and to occasional lots of low quality farmers' stock. Most peanut oil is used in making compounds (sometimes called vegetable shortenings) and vegetable cooking fats, with oleomargarine and salad oil blends next in importance.

THE most important use for peanuts for many years has been in the form of peanut butter. This was developed as a sanitarium food about 1890, but according to industry estimates some 375 to 400 million pounds of farmers' stock peanuts now go into peanut butter annually. The presence on the market of peanut butter made from low grade peanuts has interfered, it is said, with further expansion of the

industry. Shellers now are reported to be trying to reduce the quantity of peanuts grading below U. S. No. 1 in the manufacture of this product.

Salted peanuts and peanut candy are other important uses for peanuts. Virginias are generally salted after the red skins have been removed and are sometimes sold as "jumbo salted." Spanish peanuts are customarily salted with the skins attached. Runner peanuts are never salted. New peanut bars are frequently placed on the market, but during recent years malted milk, marshmallow, egg-whites, coconut, and chocolate have replaced shelled peanuts to a considerable extent in candy bars. Nevertheless, it is probable that total weight of the farmers' stock peanuts used in the shelled form in the United States is nearly 10 times the weight of the peanuts consumed in the shell, which are sold in much less volume than they were 15 years ago.

Peanut meal, the residue from crushing peanuts for oil, is sold chiefly to manufacturers of stock feeds. These manufacturers would be more willing to buy meal if the supply were more certain, since peanut meal is considered to have more value as a stock food than cottonseed meal. About 300,000 acres of peanuts were planted in the South in 1936 and 1937 for "hogging off."

H. J. CLAY.

American Cotton in the Orient

THE post-war period witnessed rapid expansion of the textile manufacturing industry in the Far East, which in the past had relied largely on Lancashire for supplies of finished cotton goods. International trade in such goods and foreign demand for American cotton were adversely affected. The British demand for American cotton decreased, the Japanese demand increased sharply. The net was an estimated annual loss of 1 million to 1.5 million bales in cotton exports from the United States.

In the course of the industry's expansion Japan became the world's second largest consumer of raw cotton. In 1936

the Japanese cotton textile industry utilized 3.5 million bales as against 1.4 million in 1913. Since Japan does not produce raw cotton, except to a very limited extent in Chosen and Manchuria, the country's needs are supplied mainly from India and the United States.

Exports of American raw cotton to Japan in 1910-14 averaged only 283 thousand bales, or 3 percent of the total United States cotton exports. During the period 1925-29 the respective average annual figures were 1.2 million bales and 14 percent. The latest phase of Japan's industrial expansion caused a still greater rise in American cotton exports to Japan.

STIMULATED by the poor crop of Indian and the very low prices of American, in 1931-32 exports of American cotton to Japan reached a record volume of 2.3 million bales, or 26 percent of the total shipped abroad. Although in subsequent years exports suffered a considerable decline, in 1936-37 exports totaled 1.6 million bales. The following season, however, as a result of the Sino-Japanese conflict, exports shrunk to only 700 thousand bales.

A comparison of American raw cotton exports to Japan during 1936-37 with 1913-14 shows a gain of 1.3 million bales. But during the same period American cotton exports to the United Kingdom declined from 3.8 million bales to 1.2 million, a loss of 2.5 million bales. The gain in the Japanese market only partly counterbalanced this loss.

Exports of American cotton to Japan would have been larger had the Japanese textile industry used as large a proportion of American cotton as was used in the British goods displaced. This difference in the proportion of American cotton utilized was apparently accounted for in part by differences in technical mill practices and machinery, and in part by the differences in the quality of cotton textiles manufactured by the respective industries. The Japanese industry always has used more Indian cotton than American, except in the years 1932-35.

THE future position of American cotton in Japan depends, in the main upon two factors: (1) Competition with other growths; (2) the possibilities of expansion or contraction of Japan's export trade in cotton goods.

For some time to come Japan probably will not be able to obtain important quantities of medium-staple cotton from sources under its direct or indirect control, such as Chosen, Manchuria, and North China. Japanese imports of Brazilian are likely to increase and, to a smaller extent,

imports of other miscellaneous growths. For the time being, however, Indian will continue to be the principal competing growth, and the respective share of American and Indian cotton in Japan's imports will depend on their price relationship. It is probable that for some years Japan will depend primarily on American cotton to enable its industry to spin medium-count yarns and on Indian for the coarse counts.

Recent trends point to a contraction rather than an expansion in Japan's exports of cotton goods. There are few untapped markets of any consequence. In many older markets the expansion of Japanese goods is being restricted by every known means. The consequent decrease in Japanese cotton goods exports, however, may stimulate textile exports from western Europe, principally from the United Kingdom. This shift would increase the demand for American cotton, since the United Kingdom has always used greater proportions of American cotton than has Japan.

INDIA, unlike Japan, consumes little American cotton, in the past decade averaging only 70 thousand bales per year. But India has consumed appreciable quantities of finished goods manufactured from American cotton.

Prior to the World War the United Kingdom had a virtual monopoly of Indian import trade in piecegoods. In 1913-14, when India imported a total of 3.2 billion yards, British goods accounted for 3.1 billion yards, or 97 percent of the total. But the rising productive capacity of the Indian textile mills, illustrated by the 3.6 billion yards of cloth output in 1936-37 as against 1.2 billion in 1913-14, caused a drastic shrinkage in cloth imports. Thus in 1936-37 the entire volume of imports declined to 764 million yards, and the share of the British goods in this total was reduced to only 334 million yards.

The downward trend of British

piecegoods exported to India is closely associated with the decrease in the consumption of American cotton in the United Kingdom. In the total decline of American raw cotton exports to Great Britain, amounting to about 2.4 million bales, approximately 900 thousand bales may be attributed to the shrinkage of English exports of piecegoods to India. The volume of Japanese exports of piecegoods to India increased rapidly, but it must be noted that only approximately 150 thousand bales of American cotton is consumed for that purpose. Hence the conclusion that the net loss sustained by American cotton exports, as a result of the vanishing imports of piecegoods into India, amounts to about 750 thousand bales.

As for the future, it is apparent that India is fast approaching national self-sufficiency in cotton textile requirements; to that extent foreign consumption of American cotton in the form of imported finished goods is likely to be further curtailed. During the first 11 months of 1937-38 a total of 146,000 bales of American cotton was exported to India, a considerable increase over the immediately preceding years. A similar volume of exports in subsequent years would offset to some extent the size of the loss.

CHINA has practically ceased, with the development of the Chinese textile industry during the past two decades, to be an importer of yarn and piecegoods. In addition, China's production of raw cotton has increased in recent years to the point where the industry is able to dispense with most of its imports of raw cotton. These developments have caused a sharp decline in the ultimate consumption of American cotton in China.

From an estimated total of 294 million pounds of yarn produced by Chinese mills in 1913, the output increased to 1.3 billion pounds in 1935. This has practically eliminated yarn imports. The significance of this decline in terms of American cotton is revealed by the fact that, whereas in

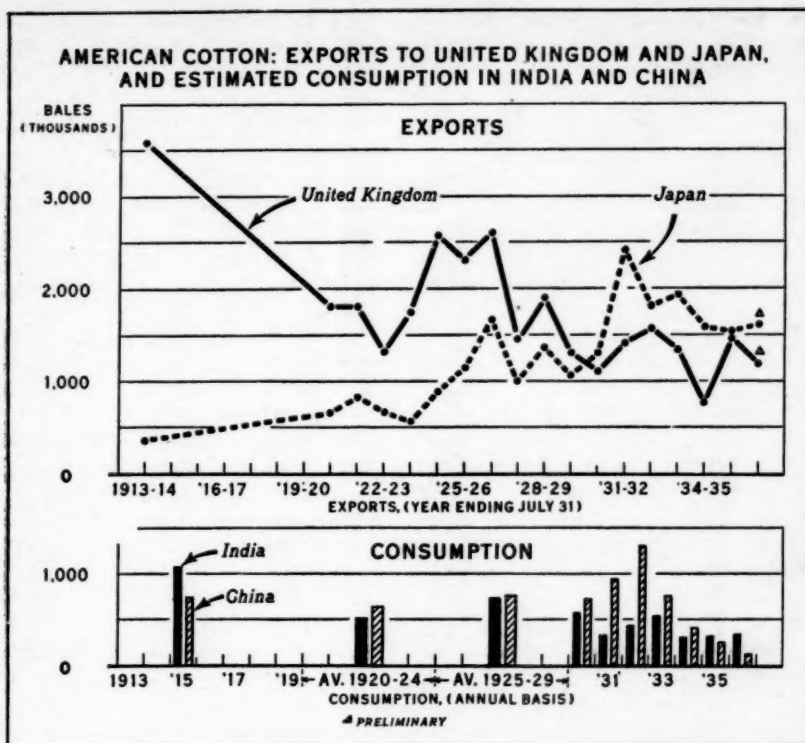
1915 American staple imported into China in the form of yarn was roughly 190 thousand bales, in 1936 imports were only 1 thousand bales.

In 1936 the cloth output of China's textile industry (other than handloom weaving which is responsible for more than 3 billion yards of cloth) was estimated at 1.2 billion yards as against only 45 million in 1915. The outstanding result was the virtual disappearance of foreign cloth from the Chinese market. This had a more adverse effect upon the foreign demand for American cotton than the decline in yarn imports. From 1910 through 1929 slightly less than 500 thousand bales of American cotton went into the making of piecegoods imported into China. In 1936 the estimated volume had shrunk to only 30 thousand bales.

EXPANSION of China's textile industry made necessary the importation of increased quantities of foreign cotton, chiefly Indian and American, since the production of Chinese cotton during 1920-30 was practically unchanged.

During 1921 to 1925 China imported an annual average of 55 thousand bales of American, whereas in the next 5 years the average yearly volume was increased to 216 thousand bales, and continued to increase in the early thirties, reaching an all-time high of 865 thousand bales in 1932. This increase, however, proved to be a phenomenon of short duration. Under the impact of the steady rise of world cotton prices and increased Chinese cotton production (from 2.2 million bales in 1931 to 3.9 million bales in 1936), the decline in imports of American cotton was as precipitous as had been the rise. Chinese imports of American cotton fell to 355 thousand bales in 1933, to 127 thousand in 1935, to a low of 43 thousand in 1936.

Leaving out of consideration the high levels attained in 1931 and 1932 under special circumstances, it is estimated that, prior to 1930, China's yearly consumption of American cot-



ton in the form of raw staple, imported piecegoods, and yarn exceeded 700 thousand bales. In 1936 consumption was only slightly over 100 thousand bales, indicating a net loss of 600 thousand bales.

Under conditions of relative tranquillity and gradually improved economic conditions, which existed in a measure in China on the eve of the

Sino-Japanese war outbreak in the summer of 1937, the textile industry was primed for further expansion. Consumption of American raw cotton, especially for spinning finer yarn, might have been stimulated to a certain extent despite the upward trend of cotton production in China.

W. LADEJINSKY.

Milk Production—A Record

A NEW high record of milk production in 1938—about 110 billion pounds for the full year—is indicated by monthly estimates to date. The increase over 1937 is about 4 percent. The figure includes production on farms, and in cities, villages, and rural places not considered as farms.

Butter is the most important manufactured product, using about 41 percent of the total milk production. An equivalent amount is used in fluid form

as milk and cream. Cheese takes about 6 percent of the milk, evaporated milk case goods about 4 percent, ice cream about 3.5 percent, and a number of other products the remainder.

The general trend of milk production has been upward during the last 15 years, and per capita production has been relatively stable. The proportions used in the various products have not changed significantly during this period.

General Trend of Prices and Wages

[1910-14=100]

Year and month	Whole-sale prices of all commodities ¹	Industrial wages ²	Prices paid by farmers for commodities used in ³			Farm wages	Taxes ⁴
			Living	Production	Living and production		
1920.....	225	222	222	174	201	239	209
1921.....	142	203	181	141	152	150	228
1922.....	141	197	156	139	149	146	224
1923.....	147	214	180	141	152	166	228
1924.....	143	218	159	143	152	166	228
1925.....	151	223	164	147	157	168	232
1926.....	146	229	162	146	155	171	232
1927.....	139	231	159	145	153	170	238
1928.....	141	232	160	148	155	169	239
1929.....	139	236	158	147	153	170	241
1930.....	126	227	148	140	145	152	238
1931.....	107	208	126	122	124	116	217
1932.....	95	179	108	107	107	86	185
1933.....	96	172	109	108	109	80	161
1934.....	109	183	122	125	123	90	163
1935.....	117	192	124	126	125	98	158
1936.....	118	200	122	126	124	107	156
1937.....	126	215	128	135	130	120	-----
August.....	128	221	-----	-----	132	-----	-----
September.....	128	216	129	132	130	-----	-----
October.....	125	214	-----	-----	128	126	-----
November.....	122	206	-----	-----	127	-----	-----
December.....	119	208	126	127	126	-----	-----
1938—January.....	118	204	-----	-----	126	111	-----
February.....	116	205	-----	-----	126	-----	-----
March.....	116	208	123	126	125	-----	-----
April.....	115	204	-----	-----	125	115	-----
May.....	114	201	-----	-----	125	-----	-----
June.....	114	202	122	126	124	-----	-----
July.....	115	205	-----	-----	⁵ 123	120	-----
August.....	114	208	-----	-----	⁵ 122	-----	-----

Year and month	Index of prices received by farmers [August 1906-July 1914=100]							Ratio of prices received to prices paid
	Grains	Cotton and cottonseed	Fruits	Truck crops	Meat animals	Dairy products	Chick-ens and eggs	
1920.....	232	248	191	-----	174	198	223	165
1921.....	112	101	157	-----	109	156	162	82
1922.....	106	156	174	-----	114	143	141	89
1923.....	113	216	137	-----	107	159	146	93
1924.....	129	212	125	150	110	149	149	94
1925.....	157	177	172	153	140	153	163	99
1926.....	131	122	138	143	147	152	159	94
1927.....	128	128	144	121	140	155	144	91
1928.....	130	152	176	159	151	158	153	96
1929.....	120	144	141	149	156	157	162	95
1930.....	100	102	162	140	133	137	129	87
1931.....	63	63	98	117	92	108	100	70
1932.....	44	47	82	102	63	83	82	61
1933.....	62	64	74	105	60	82	75	64
1934.....	93	99	100	103	68	95	89	73
1935.....	103	101	91	125	118	108	117	86
1936.....	108	100	100	111	121	119	115	92
1937.....	126	95	122	123	132	124	111	99
September.....	111	74	121	117	144	123	119	91
October.....	93	67	99	130	136	128	127	88
November.....	85	65	88	124	120	132	135	84
December.....	86	64	76	112	111	134	127	83
1938—January.....	91	66	70	101	110	128	113	81
February.....	89	68	68	121	110	121	94	77
March.....	85	70	69	107	117	117	93	77
April.....	82	71	68	117	114	110	93	74
May.....	79	71	77	99	111	103	98	74
June.....	77	68	73	99	116	96	99	74
July.....	72	71	79	115	123	101	103	⁶ 77
August.....	62	69	78	91	115	102	105	⁶ 75
September.....	63	69	75	98	117	104	118	⁶ 78

¹ Bureau of Labor Statistics Index with 1926=100, divided by its 1910-14 average of 68.5.

² Average weekly earnings, New York State factories. June 1914=100. Revised.

³ These indexes are based on retail prices paid by farmers for commodities used in living and production reported quarterly for March, June, September, and December. The indexes for other months are interpolations between the successive quarterly indexes.

⁴ Index of farm real estate taxes, per acre, 1913=100.

⁵ Preliminary.